Exhibit No.:

Issue:

Vegetation Management

Tracker

Witness:

Jermaine Green MoPSC Staff

Sponsoring Party:

Rebuttal Testimony

Type of Exhibit: Case No.:

ER-2014-0351

Date Testimony Prepared:

March 9, 2015

FILED
May 7, 2015
Data Center
Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION REGULATORY REVIEW DIVISION UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

JERMAINE GREEN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

Jefferson City, Missouri March, 2015 Stort Exhibit No. 207

Date 4-14-15 Reporter *F

File No. F. R. - 2014-0351

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OF

JERMAINE GREEN

THE EMPIRE DISTRICT ELECTRIC COMPANY,

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2	OF					
3		JERMAINE GREEN				
4		THE EMPIRE DISTRICT ELECTRIC COMPANY				
5		CASE NO. ER-2014-0351				
6	Q.	Please state your name and business address.				
7	A.	Jermaine Green, P.O. Box 360, Jefferson City, Missouri 65102.				
8	Q.	Are you the same Jermaine Green who also prepared testimony on various				
9	issues in the Staff's Cost of Service Report filed in relation to this proceeding?					
10	A.	Yes, I am.				
11	Q.	What is the purpose of your rebuttal testimony?				
12	A.	The purpose of this rebuttal testimony is to address the direct testimony				
13	of the Office of the Public Counsel (OPC) witness Keri Roth regarding the Vegetation					
14	Management Tracker.					
15	VEGETATION MANAGEMENT TRACKER					
16	Q.	What is the OPC proposing in this case in regard to the vegetation				
17	management tracker?					
18	A.	OPC is recommending that the Vegetation Management tracker established in				
19	Case No. ER-2008-0093 and continued in Case Nos. ER-2010-0130, ER-2011-0004 and					
20	ER-2012-0345 should be discontinued at this time. OPC also recommends combining the					
21	unamortized	balances for all the prior vegetation management/infrastructure inspection				

trackers into one tracker amortization balance for a more simplified monitoring of this amount in the future.

- Q. What is Staff's response to OPC's positions regarding the Vegetation Management tracker?
- A. Staff agrees with OPC's recommendation that the Company combine the unamortized balances of all the vegetation management/infrastructure trackers into one unamortized balance (as reflected in Staff's direct work papers) for easier monitoring. However, it is Staff's position that the vegetation management tracker be continued in this rate proceeding and then re-evaluated in the next general rate proceeding.
- Q. Why was a vegetation management tracker implemented for Empire in the first case?
- A. The promulgation of a Commission rule in 2008 requiring that certain vegetation management activities be undertaken by Empire and other electric utilities had the impact of increasing these companies' total vegetation management expenses from earlier incurred levels of expense. The Commission rule provided for use of a tracker mechanism to capture the impact on an electric utility's expenses of complying with the new regulations.
- Q. Why does Staff believe the vegetation tracker should continue for Empire at this time?
- A. Staff contends that it is appropriate for use of vegetation management tracking mechanisms to cease at the point in which a utility's vegetation management expenses generally stabilize following implementation of the rule. However, Staff does not believe that this result has yet occurred for Empire. Staff's analysis of the Company's twelve (12) month total of vegetation management expenses for September 2013 through August 2014 shows

that the costs have not stabilized to a normal ongoing level. Staff's analysis showed that Empire's most recent level of cost associated with its vegetation management activities is decreasing compared to earlier years when the rule was in effect, and that cost may decrease further in the future.

- Q. In OPC witness Keri Roth's direct testimony¹, she states, "there is enough historical cost information now available to determine an annualized level of vegetation management expense since at least one full urban and rural cycle has been completed." Does Staff agree with this statement?
- A. No. While Staff agrees that the vegetation management expense has completed a full urban and rural cycle, Staff disagrees with the statement that there is enough cost information available at this time to determine a reasonable level of ongoing annualized expense. If Staff performed an annualization of the vegetation management expense based upon current levels, the amount of expense included in the case would likely be too high and result in an over recovery for the Company. Therefore, it is appropriate that this mechanism remain in effect to track the expense as it declines to a normal ongoing level. In support of this point, both the Staff and Company have proposed to "rebase" the tracker amount from \$12 million (which was the expense level in Empire's last case, Case No. ER-2012-0345) to \$11 million, (which is the expense level in the current case), to reflect the expected decline in the annual expense level. Once the expense stabilizes in the future, the Staff will most likely recommend a discontinuance of the tracker at that time.
 - Q. Who benefits from the continuation of the vegetation management tracker?
- A. The vegetation management tracker is a two-way regulatory mechanism that provides for the recording of a regulatory liability when Company spends less than the

¹ Direct Testimony of Keri Roth at p. 6, l. 11-13.

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targeted base amount, and the recording of a regulatory asset when the opposite occurs. This mechanism has potential benefit for both the Company and the ratepayers; as it will help ensure that neither the Company nor its customers will experience a windfall as a result of changes in vegetation management expenses in the aftermath of implementation of the Commission's new rule.

- Q. Did Staff record a regulatory asset or liability for the Vegetation Management tracker in this case?
- A. For this case, the Staff reflected a combined regulatory asset for the vegetation management tracker in the amount of \$5,162,156 as of August 31, 2014. This amount represents the unamortized unrecovered balance from Empire's previous rates cases and, in addition, the amount of under-recovered expense since the last case, No. ER-2012-0345.
 - Q. Does this conclude your rebuttal testimony?
 - A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empi Company for Authority Increasing Rates for Electri to Customers in the Co Service Area	to File Tarif c Service Provide	fs) ed)	Case No. ER-2014-0351			
AFFIDAVIT OF JERMAINE GREEN						
STATE OF MISSOURI)) ss.)					
Jermaine Green, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.						
	_	- C	dermaine Green			
Subscribed and sworn to before me this day of March, 2015.						
D. SUZIE MANKIN Notary Public - Notary Seat State of Missouri Commissioned for Cole County My Commission Expires: December 12, Commission Number: 1241207	2016	<u> Mu</u>	Notary Public			